

**Testimony of Damon Stewart  
Before the House Finance Committee**

**April 15, 2015**

Thank you Chairman Smith and members of the committee. My name is Damon Stewart, and I am with DIRECTV. Today however I am here on behalf of DIRECTV, DISH NETWORK, and the Satellite Broadcasting and Communications Association, which essentially encompasses the satellite industry in the State of Ohio. Combined, DISH and DIRECTV are honored to provide television service to over 1.1 million Ohio families, many of whom live in rural areas of the state that are not served by cable companies. We proudly employ or contract with nearly 1,500 Ohio residents, and are the service that 250 independent, small business retailers sell throughout the state (all of whom have their own employees as well).

As you consider HB 64 and the policy decisions to be made therein, on behalf of our subscribers, employees and independent businesses, I urge you to rectify a decade-long inequality and level the playing field in terms of how two like services are taxed. Currently, there is a 5.75% sales tax on satellite services. There is none on cable. As is evidenced by the Governor's proposal to equalize the tax rates, and as clearly stated by Commissioner Testa before this committee, this is clearly a "matter of equity."

Equity—fairness—that is our request to this body. We appreciate the Governor's specific proposal to get satellite and cable to tax equity, but understand it is the legislature's prerogative to determine the best way to achieve this goal. On behalf of our customers, we suggest that the best way to achieve fairness is by removing the unfair tax on satellite service.

The cable industry has countered that the 5.75% tax on their competitor's customers is justified, since cable pays a 5% franchise fee and satellite does not. However, as we have testified to in the past, franchise fees are not taxes, but rather rent—the cost of purchasing right-of-ways through municipal-owned land in order to run their cable lines to customer homes. As I'm sure this Committee knows, even cable characterizes these contractual rights and "franchise rights" and values such rights in the billions.

But there is no doubt whatsoever that the 1.1 million Ohio families do in fact pay a burdensome tax. And for those who live in rural parts of the state where cable will not provide service, this amounts to the Ohio Rural Tax. For those who chose our service because of the nature and method of our service, this is effectively the Ohio Innovation Tax. And for those businesses that rely on selling satellite service, it is the Ohio Small Business Tax. It inserts the government into the free market, hurts consumers and business, and thus should be removed.

Indeed, despite fifty-five attempts in twenty-eight states over the past five years, no other legislature has bought into the argument that franchise fees justify a tax on cable's competitor's customers. Time after time, this argument has been rejected. Ohio is in fact a national outlier. That is, forty-five other states leave it to the free market and let consumers choose which service they want on each industry's merits. Those forty-five other states treat cable and satellite the

same, with either no sales tax or the same sales tax. That is certainly the case with all the states bordering Ohio—satellite and cable are treated equally. Or put another way, the tax policy of the border states does not punish one industry or customer and reward the other. All are taxed the same.

The satellite tax costs Ohio satellite customers an average of \$55 per year--that can be another whole month's payment. And so to conclude, since you have removed this burden from those who subscribe to cable, we respectfully submit that the fair and right thing to do is to treat the 1.1 million Ohio families the same and remove this tax from them as well.

At this point, I would like to introduce Steve Rumschlag of Direct SAT USA, a DIRECTV installation provider with locations in Findlay, Cambridge and Dayton, Ohio. With the chair's permission, after Steve has had a chance to speak, we would be happy to answer any questions the panel may have.